

**Notice on the 2020 Financial Markets Business Delegation of Authority
and Risk Limit Allocation of Financial Markets Department of London
Branch**

VERSION 1 OF 2020

Version description		
Number	Version	Revisions
1	Version 1 of 2020	<ul style="list-style-type: none"> • Creation.

**Notice on the 2020 Financial Markets Business Delegation of
Authority and Risk Limit Allocation of Financial Markets
Department of London Branch**

I. Delegation of Authority

i. Permitted business

1. Trading business

(1) Foreign currency interest rate trading

Permitted products	
Foreign currency interest rate derivatives trading	<ul style="list-style-type: none"> Interest rate swap, limited to such currencies as USD, EURO, JPY, HKD, GBP and CNH

(2) FX trading

Universal permitted products	
• N/A	
Business unit	Specially permitted products
RMB FX	CNH FX spot, forward, swap
FX trading	FX spot, forward, swap
Currency swap	Cross currency swap (including CNH swap) (management requirement 1.1)

2. Foreign currency bond investment

Permitted products

- Sovereign, supranational and agency bond and bills with optionality
- Commercial paper, CD, corporate bonds, with optionality (management requirement 1.2)
- Forward rate agreement (FRA), interest rate swap (IRS), cross currency swaps

3. Foreign currency treasury business

Permitted products
<ul style="list-style-type: none"> • Internal borrowing/lending • Interbank borrowing/lending, FX spot, forward and swap • Repo, US treasury bills, CD/CP, short term corporate bond, UK Gilt, German bills mature within one year • CD issuance • FRA, IRS, cross currency swaps

ii. Requirements

1.1 RMB vs. foreign currency swap trading (excluding policy trading) is closed on a back-to-back basis or closed by broken into RMB vs. FX swap + RMB interest rate swap trading + foreign currency interest rate swap trading.

1.2 Investing in junior corporate debt needs special approval.

II. Risk Limit

i. Limit allocation

1. Trading business

- Interest rate trading

(1) Foreign currency interest rate derivatives trading

Book	Heads of London Branch		Head of Financial Markets Department of London Branch
	President of Branch	Vice President of Branch	
	Xu Jinlei	Zhao Gang	
LTRD	<ul style="list-style-type: none"> • Open position above 1 year \leq USD1,900,000 • PVBP \leq USD19,000 	<ul style="list-style-type: none"> • Open position above 1 year \leq USD1,800,000 	<ul style="list-style-type: none"> • Open position above 1 year \leq USD1,600,000

	<ul style="list-style-type: none"> Monthly stop loss \geq -USD95,000 	<ul style="list-style-type: none"> PVBP \leq USD18,000 Monthly stop loss \geq -USD90,000 	<ul style="list-style-type: none"> PVBP \leq USD16,000 Monthly stop loss \geq -USD80,000
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- FX trading

(2) RMB spot FX

Book	Heads of London Branch		Head of Financial Markets Department of London Branch
	President of Branch	Vice President of Branch	
	Xu Jinlei	Zhao Gang	
LDFX	<ul style="list-style-type: none"> Overnight limit \leq USD1,900,000 Monthly stop loss \geq -RMB665,000 	<ul style="list-style-type: none"> Overnight limit \leq USD1,800,000 Monthly stop loss \geq -RMB630,000 	<ul style="list-style-type: none"> Overnight limit \leq USD1,600,000 Monthly stop loss \geq -RMB560,000

(3) RMB FX forward and swap

Book	Heads of London Branch		Head of Financial Markets Department of London Branch
	President of Branch	Vice President of Branch	
	Xu Jinlei	Zhao Gang	
LDFX	<ul style="list-style-type: none"> Max term \leq 5 years Open position \leq USD1,900,000 Open position above one year \leq USD2,850,000 One-way PVBP \leq RMB47,500 Monthly stop loss \geq -RMB665,000 	<ul style="list-style-type: none"> Max term \leq 5 years Open position \leq USD1,800,000 Open position above one year \leq USD2,700,000 One-way PVBP \leq RMB45,000 Monthly stop loss \geq -RMB630,000 	<ul style="list-style-type: none"> Max term \leq 5 years Open position \leq USD1,600,000 Open position above one year \leq USD2,400,000 One-way PVBP \leq RMB40,000 Monthly stop loss \geq -RMB560,000

Note: PVBP will be combined with FX trading and currency swaps.

(4) FX trading

Book	Heads of London Branch		Head of Financial Markets Department of London Branch
	President of Branch	Vice President of Branch	
	Xu Jinlei	Zhao Gang	
LDFX	<ul style="list-style-type: none"> Overnight limit \leq USD1,900,000 Max term \leq 3 years Daily stop loss limit \geq -USD28,500 	<ul style="list-style-type: none"> Overnight limit \leq USD1,800,000 Max term \leq 3 years Daily stop loss limit \geq -USD27,000 	<ul style="list-style-type: none"> Overnight limit \leq USD1,600,000 Max term \leq 3 years Daily stop loss limit \geq -USD24,000

Note: PVBP will be combined with RMB FX and currency swaps.

(5) Currency swaps

Book	Heads of London Branch		Head of Financial Markets Department of London Branch
	President of Branch	Vice President of Branch	
	Xu Jinlei	Zhao Gang	
LTRD	<ul style="list-style-type: none"> Open position notional \leq USD1,900,000 Max term \leq 5 years Monthly stop loss \geq -RMB665,000 	<ul style="list-style-type: none"> Open position notional \leq USD1,800,000 Max term \leq 5 years Monthly stop loss \geq -RMB630,000 	<ul style="list-style-type: none"> Open position notional \leq USD1,600,000 Max term \leq 5 years Monthly stop loss \geq -RMB560,000

Notes: PVBP will be combined with RMB FX and FX trading.

(6) Cross-border spread trading¹

Book	Heads of London Branch		Head of Financial Markets Department of London Branch
	President of Branch	Vice President of Branch	
	Xu Jinlei	Zhao Gang	

¹ Onshore and offshore trade should have opposite positions and no open positions allowed.

TOFS	<ul style="list-style-type: none"> • Notional amount ≤ USD180,000,000 • Mark to market loss ≤ -RMB18,000,000 • Max term ≤ 3 years 	<ul style="list-style-type: none"> • Notional amount ≤ USD160,000,000 • Mark to market loss ≤ -RMB16,000,000 • Max term ≤ 3 years 	<ul style="list-style-type: none"> • Notional amount ≤ USD160,000,000 • Mark to market loss ≤ -RMB16,000,000 • Max term ≤ 3 years
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Note: Risk limit will be combined with cross-border spread trading of the FX Trading Division of Financial Markets Department of the Head Office.

2. Foreign currency bond investment

- FVOCI portfolio duration ≤ 2.5 years
- Total duration ≤ 2.5 years
- CS01 ≤ USD1,600,000
- Average rating ≥ BBB-
- BBB and below rated bonds² holding ≤ USD200,000,000, approved on a deal-by-deal basis
- Single credit bond (excluding private placement, structured bonds and CD) holding size should be below 30% of total issuance.
- Bonds under keepwell agreement ≤ 30% of total bond holdings

The above limit will be combined with the foreign currency bond business of the Investment Management Division of the Head Office.

- Annual credit bonds investment balance ≤ USD100,000,000
- Single issuer investment above USD10,000,000 needs approval from Head Office Financial Markets Department.

3. Foreign currency treasury

Short-term foreign currency bond investment exposure will be combined with foreign currency bond investment exposure to calculate limit as a whole.

ii. Limit management

1. In practice, whenever open position or stop loss limit being triggered, the Financial Markets Department of London Branch ("London FM") needs to cut position or stop loss immediately. If there is special reason that London FM didn't do that, London FM shall report to management within one day after exposure back into limit; the report shall include reasons, solutions and other measures taken.

2. London FM shall manage FX exposure in a timely manner. London FM shall

² Excluding the issuers in China.

assist the Business Development Department of the Branch to manage client market risk. For long maturity and higher market risk client, London FM shall evaluate the actual client needs and help manage client margin account effectively, so as to reduce the Bank's client risk.

3. Monthly and annual profit and loss will be based on accounting record. Whenever profit or loss amount reaches limit, London FM shall explain reasons, provide solutions, and report to management immediately; whenever value at risk indicator reaches limit, London FM shall work with the risk management department to jointly analyze the reasons, provide solutions and, if necessary, report to management.

III. Business Management

i. London FM will carry out business within the scope of delegation of authority. For all permitted business, policies and procedures should be in place to clarify relevant business management mechanisms and procedures and risk control measures.

ii. All authorized traders/managers in London FM should strictly follow the delegation of authority and risk limit. Breaching limit or product authorization is strictly forbidden.

iii. For the risk limits that are used by relevant divisions of the Financial Markets Department of the Head Office and combined in calculation, London FM should pay continuous attention to changes in indicator value. When the indicator value reaches limit, it should timely coordinate with the divisions of the Financial Markets Department of the Head Office which also use the limit, to jointly control the indicator value at a reasonable level.

iv. In case London FM needs to adjust the delegation of authority and risk limit, it should conform to China CITIC Bank's relevant policies regarding delegation of authority and risk limit.

When authorized persons are temporarily out of office due to business trip or on holiday, London FM needs to delegate authority to backup person and adjust relevant risk limit. At the meantime, London FM needs to properly keep all documents regarding delegation of authority for reference.

When adding, stopping using London FM's books or adjusting authorized traders' authority and limits, London FM should report to the Risk Control Division of Financial Markets Department of the Head Office to adjust delegation of authority.

The issues concerning the delegation of authority and risk limit for relevant business of London FM which are not mentioned herein shall be subject to the latest provisions of the Head Office.

The relevant delegation of authority and risk limit allocation in the Notice shall become effective on the date of signing and issuance by the head of the Financial

Markets Department of the Head Office, until the day before the new notice on delegation of authority and risk limit allocation is issued in 2021.

Appendix: Book Structure

Signature of department head: Ye Xuesong

February 24, 2020

Appendix: Book Structure

Account	Book	Authorized traders
Trading book	LDFX FX spot, forward and swaps (including RMB FX)	Richard Thaiss, Wang Renjun, Liu Boyang
	LTRD foreign currency interest rate swap, cross currency swap and other trading	Richard Thaiss, Wang Renjun, Liu Boyang
	LTSY treasury FX spot, forward and swaps	Richard Thaiss, Wang Renjun, Liu Boyang
Banking book	LDMM interbank borrowing/lending	Richard Thaiss, Wang Renjun, Liu Boyang
	LLIQ treasury bond book	Richard Thaiss, Wang Renjun
	LINV foreign currency bond investment	Richard Thaiss, Wang Renjun